



USAID
FROM THE AMERICAN PEOPLE



Regional CR Trends in Eastern Europe

12 March 2008

Chatham House CR '08 Conference

Nancy Wildfeir-Field, Global Development Alliance Advisor



USAID
FROM THE AMERICAN PEOPLE

Content

- USAID and GDA - what and why
- Ukraine - example of environment
- Regional Trends



USAID
FROM THE AMERICAN PEOPLE

Who we are

The principal US Agency for development and humanitarian assistance

- Working in over 100 countries: sub-Saharan Africa, Asia & the Near East, Latin America & Caribbean, Europe & Eurasia
 - Promoting economic growth & trade
 - Supporting agriculture & the environment
 - Expanding education & training
 - Fostering Democracy & Governance
 - Advancing global health
 - Cultivating global and local partnership
 - Providing humanitarian assistance

What is GDA?

- An innovative public-private alliance model for improving social and economic conditions in developing/emerging countries
- Combines assets and experience of strategic partners, leveraging capital and investments, creativity and access to markets to solve complex problems facing government, business, and communities
- *A catalyst to mobilize ideas, efforts, and resources of governments, businesses and civil society for solutions to shared problems....* **A partnership of equals, sharing risks, rewards and resource**



USAID
FROM THE AMERICAN PEOPLE

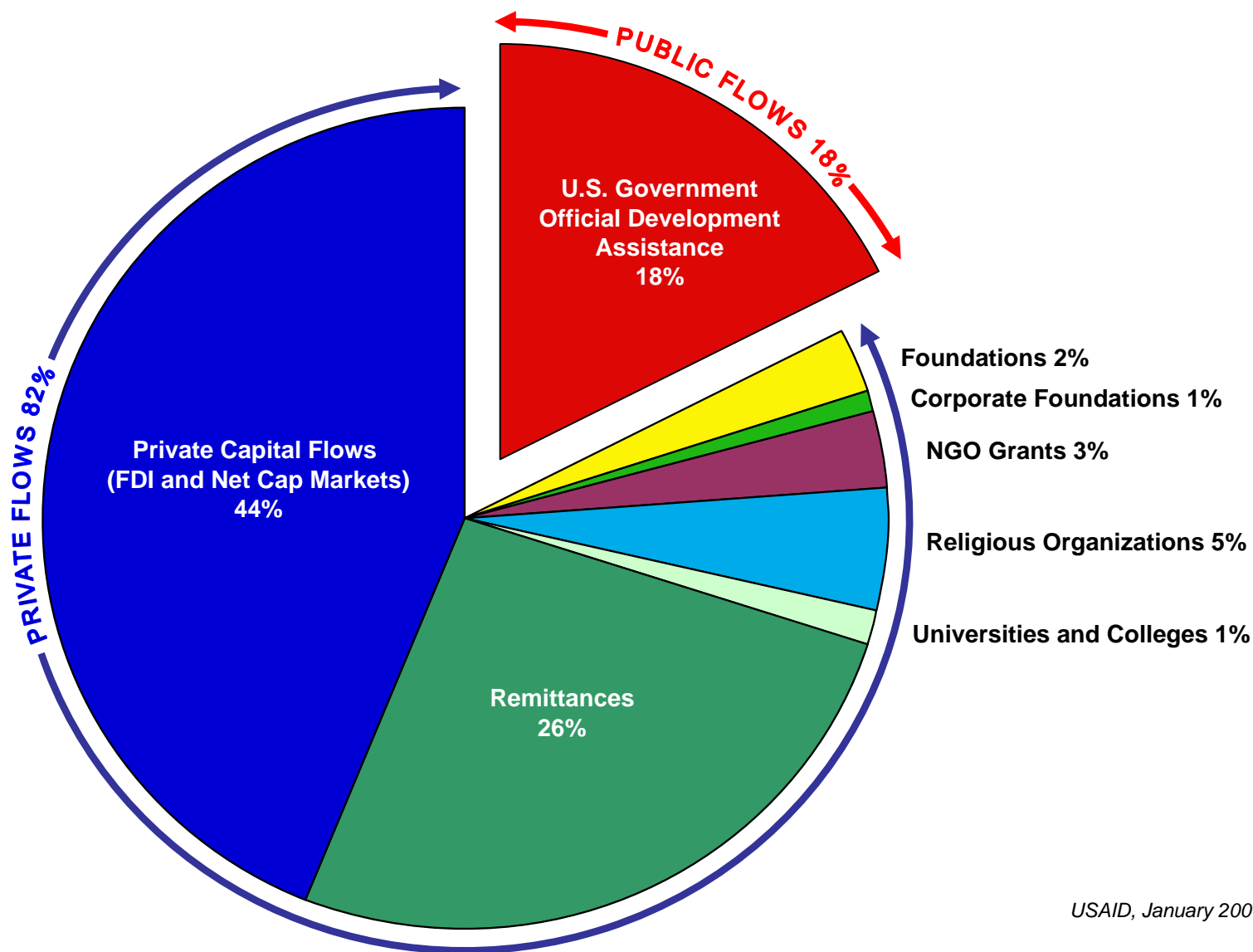
Global Change Spurs Innovation

- The challenges for international business and international development are increasingly intersecting ... sharing common interests and goals
 - Stable societies
 - Income generation
 - Strengthening the capacity of local entrepreneurs
 - Healthy and educated populations
- Reflective of change in source of development assistance
- Cross sector solutions lead to better development



USAID
FROM THE AMERICAN PEOPLE

US Total Resource Flows to the Developing World in 2005 : \$158 Billion



USAID, January 2007



USAID
FROM THE AMERICAN PEOPLE

GDA Big Picture

Over 600 Alliances since 2001

in 102 countries

With more than 1,700 distinct partners

**Generating 3 times more resources for
development projects**

80 Alliances in Europe and Eurasia



USAID
FROM THE AMERICAN PEOPLE

Europe & Eurasia

- 17 E&E countries have joined WTO
- 10 Enterprise Funds generated \$2.3 billion in investments into local businesses and \$4.8 billion in new capital and loans
- Civil society blossoming into significant force - from both service and advocacy perspectives
- Independent media growing, playing major role in democratic breakthroughs
- Models of effective and efficient social systems successfully adapted and replicated



USAID
FROM THE AMERICAN PEOPLE

Challenges remaining

- Democratic advances remain fragile, threatened by corruption, political and institutional weakness and energy insecurity
- Weak implementation of regulatory reforms thwarting development of SMEs, competitive industries, broader economic trade
- Commitment to democratic governance absent from much of former Soviet Union
- Weak capacity to generate jobs and improve incomes
- Education & health systems in disarray, social protection systems lack capacity to meet needs

A Look at the Region ...

Some commonalities:

- CSR relatively new, countries at different stages of development
- Still struggling with transition from state to market driven economies - high unemployment, low salaries/income, migration of young, skilled workers, underdeveloped regulatory framework
- Emergence of CSR linked to economic reform and privatization
- Ngo sector relatively underdeveloped



USAID
FROM THE AMERICAN PEOPLE

Regional Overview

- Business main agents of change ... but Academia has played significant role
- More open to strategy and dialogue than governance and disclosure
- Media fail to hold corporate actors accountable
- Public and business generally perceive social responsibility and welfare to be responsibility of government - strongly influenced by previous socialist system
- MNCs often key corporate drivers of social agenda



USAID
FROM THE AMERICAN PEOPLE

Government

- Diverse involvement across region within different ministries
- Stakeholders differ on preferred role: Regulated, voluntary or enabling environment?
- Systematic government incentives for social, environmental performance generally missing
- Over-regulation, under regulation, conflicting regulation
- Local government less engaged



USAID
FROM THE AMERICAN PEOPLE

The Challenges: Ukraine

Major obstacles impeding social development:

- Democratic and market institutions not robust; legislation across sectors incomplete and contradictory; corruption rampant
- Obsolete infrastructure, unsustainable policies, weak sector institutions, outdated training programs.
- Growing threat of infectious diseases, particularly HIV/Aids and TB
- Economic development constrained by low levels of trade and investment, large public sector, obsolete capital stock and energy-intensive technologies, inconsistent policies, inexperienced market regulators



USAID
FROM THE AMERICAN PEOPLE

Our programs

- Strengthening media, civil society, promoting good governance, supporting rule of law, judicial sector reform and anti-corruption activities
- Prevention and control of TB and HIV/Aids, reduction of high maternal mortality and abortion rates, prevention of trafficking in persons and provision of family-care options for vulnerable children
- Legal and regulatory reform, financial market reform, energy efficiency, agricultural policy and improved trade and investment conditions
- *Helping Ukraine to achieve European integration and steady path of growth*



USAID
FROM THE AMERICAN PEOPLE

CSR Gaining momentum

- CSR more often seen as philanthropy ... the beginning of the journey
- New foundations being launched by top business men - some giving quietly, others seeking publicity
- Key giving areas: culture/architectural heritage, health, AIDS & TB prevention, children/orphans, education, sports
- NGO sector weak, but developing
- Businesses moving towards transparency and more strategic 'investments'



USAID
FROM THE AMERICAN PEOPLE

CSR in Ukraine

UMG research/2007:

- 64% polled understand CSR as responsibility of business to society
- 21% take social activity of company into consideration when buying goods
- 50% trust socially active companies more

Other polls among business equate socially responsible business activities with corporate sponsorship in the community



USAID
FROM THE AMERICAN PEOPLE

CSR in Ukraine

- Forum for Socially Responsible Business in Ukraine established in 2005
- Global Compact active and growing; AmCham CSR committee established; East Europe Foundation and Foundation for Ukraine launched
- Ukrainian government declared development of social partnership - and dialogue of business, authorities and communities - as strategic task
- Talk has not necessarily led to action by government...regulations counter productive
- Media not yet active in promotion of social partnerships
- Int'l organizations taking lead in developing standards, verifying social reports



USAID
FROM THE AMERICAN PEOPLE

Disincentives

- Uncertainty in fiscal laws and discretionary practices of tax authorities
- Lack government support such as tax incentives for CSR activities and charitable donations
 - tax credits for donations between 2-5% of profit
- Confusion around the law on social advertising
- Attitudes in the wider community ranging from skepticism to indifference.



USAID
FROM THE AMERICAN PEOPLE

Snapshots

Croatia

- Government/politicians seen as 'absent partner' re regulation & policy consultation with little attention given to policies providing an enabling environment
- Commitment gap between international companies (publicly listed, export oriented) and others

Hungary

- CSR linked to compliance & ethical behaviour
- Cite internal benefits of CSR as well as financial barriers and perceived risks
- Reputation and image as drivers
- MNC and foreign investor influence is apparent



USAID
FROM THE AMERICAN PEOPLE

Snapshots

Poland

- Highest barrier to broader adoption of CSR practices - lack of appropriate legal framework, mix of financial and government related barriers
- Tax incentives, recognition and local government intervention would improve CSR practice

Slovakia

- Many companies believe the highest barriers to adopting CSR practices are overall costs of CSR projects and lack of direct impact on financial success



USAID
FROM THE AMERICAN PEOPLE

“... The challenge before us is for all to work together in partnership – businesses, government and civil society – to seek out and achieve a more just world that bridges the divide between developed and developing nations”

Secretary of State Condoleezza Rice



USAID
FROM THE AMERICAN PEOPLE

Visit:

www.usaid.gov/gda

Contact:

Nancy Wildfeir-Field

Global Development Alliance Advisor

Europe and Eurasia Region

Nwildfeir-field@usaid.gov

E&E region:

*Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina,
Bulgaria, Central Asian Republic, Croatia, Georgia, Kosovo,
Lithuania, Moldova, Republic of Macedonia, Romania, Russia,
Serbia& Montenegro and Ukraine*



USAID
FROM THE AMERICAN PEOPLE

Russian context

- USAID efforts in democratic initiatives, economic growth, health since 1992
- Number of Russian large businesses is growing as well as presence of multinational corporations
- Growing interest in CSR;
- Government strongly encourages CSR activities of Russian and international businesses



USAID
FROM THE AMERICAN PEOPLE

Partnership with SUAL

- Multi-component program with active involvement of 11 partners including local government, community and business, in 3 pilot cities
 - Inter-budgetary relationships and fiscal systems at regional and local level
 - SME development
 - Best practices in environment
 - Improving health services and child welfare programs
 - Business education school and youth programs
 - Establishment of local community foundations
 - Local community and civic initiatives, citizen's participation in local decision making
- Program replicated by Sual in remaining company locations